Agenda Date: July 31, 2000
Item Number:

Docket: **UG-000994**
Company: Cascade Natural Gas Corporation

Staff: Mike Parvinen, Policy Research Specialist
Yohannes Mariam, Rate Research Specialist

Recommendation:

Allow the filing in Docket UG-000994 to become effective on August 1, 2000, as filed.

Discussion:

On June 28, 2000, Cascade Natural Gas Corporation (Cascade) filed a Purchase Gas Adjustment (PGA) with tariffs carrying an effective date of August 1, 2000. The result of the tariff pages for the PGA is an increase in annual revenues of $20,571,258 (17.17% increase to impacted customers, 11.97% total Company revenues).

Background:

Cascade serves approximately 140,000 customers in various areas situated primarily along Williams Gas Pipeline. Major Washington locations include Bellingham, Bremerton, Yakima, and Walla Walla. Service is provided using resources from two interstate pipelines, two underground storage fields, as well as gas supplies from Canada, the Rockies, and the Southwest. The Commission has received no comments from customers as of July 25, 2000.

The PGA mechanisms is designed to pass on actual gas costs to customers. The PGA establishes for the upcoming year what the best projection is going to be for the cost of gas. The difference between the projected cost and the actual cost is deferred and amortized back to customers with interest, whether it be a refund or surcharge. Cascade last filed its PGA and Deferral Amortization with an effective date of December 1, 1999.

PGA (Estimated Future Gas Costs):

There are two components that go into determining prospective gas costs. One is commodity costs, which are for the actual usage of gas supply, the transportation of the gas, and/or the usage of storage. The other component is demand costs. Demand charges are for the right to take gas, right to use the pipeline, and/or right to use storage. Commodity prices are increasing by $20,571,258 while revenues to recover demand charges are not being changed at this time for simplicity and rate change insignificance. Commodity prices are very market driven. The market remains high and forecasts show little sign of relief through the winter season. The proposed Weighted Average Cost of Gas (WACOG) is $.46598 ($.35877 commodity, $.10721 demand).

Summary:

The effect of the PGA filing will result in the following per unit and overall revenue increase for the following sales schedules:

	Per Therm Change	Annual Rev Change	Percent Change
Residential	$.10623	$ 9,887,550	15.86%
Commercial	$.10623	$ 8,689,739	18.06%
Industrial	$.10623	$ 1,504,651	21.03%
Interruptible	$.10623	$ 489,318	25.54%
Total		$20,571,258	

As a result of the proposed PGA changes, an average residential customer's bill will increase by about $6.90 per month (based on 65 therms per month).

Conclusion:

Staff has reviewed the company's methodology and calculations regarding the forecasts of average gas purchase price and found them reasonable. Staff recommends that the filing be allowed to become August 1, 2000, as filed.